

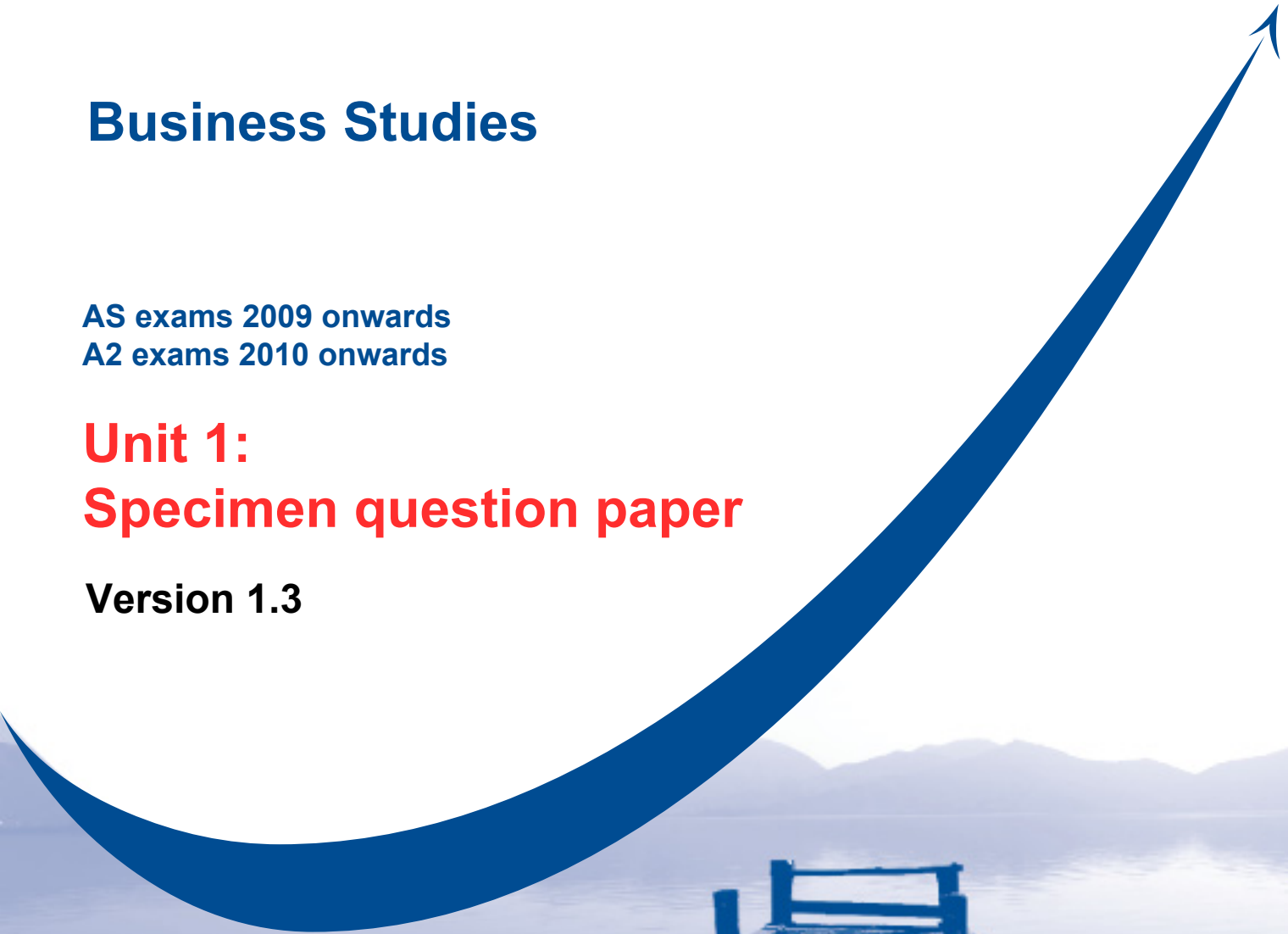
GCE
AS and A Level

Business Studies

AS exams 2009 onwards
A2 exams 2010 onwards

Unit 1: **Specimen question paper**

Version 1.3



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Surname					Other Names				
Centre Number					Candidate Number				
Candidate signature									

For Examiner's Use

General Certificate of Education
Specimen Paper for 2009 and 2010
Advanced Subsidiary Examination



BUSINESS STUDIES
Unit 1 Planning and Financing a Business

BUSS1

For this paper you must have:

- a calculator.

For Examiner's Use			
Question	Mark	Question	Mark
1			
2			
Total (Column 1)		→	
Total (Column 2)		→	
TOTAL			
Examiner's Initials			

Time allowed: 1 hour 15 minutes

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- Answer the questions in the spaces provided.
- Do all rough work in this book. Cross through any work you do not want to be marked.
- If you need additional space, you should continue your answers at the end of this book indicating clearly which question you are answering.

Information

- The maximum mark for this paper is 60.
- The marks for questions are shown in brackets.
- Questions 2(b) and 2(c) should be answered in continuous prose. In these questions you will be marked on your ability to use good English, to organise information clearly and to use specialist vocabulary where appropriate.

BUSS1

Answer **all** questions in the spaces provided.

Read the **case study** below and then answer the questions that follow.

Just Juice Ltd

The figures came as a shock. Bill and Anne thought of themselves as entrepreneurs and had expected their business to be successful even though they had no relevant experience. They realised this could make it risky, but had an ambition to own a chain of smoothie bars. Looking at their accounts the first two months of trading, they were beginning to question whether they had made the right decision to give up their highly paid jobs in the City. They had yet to reach their break-even level of sales and over the first ten weeks of trading, *Just Juice Ltd* had only attracted an average of 350 customers per week. 5

Table 1: Just Juice Ltd Costs and Revenues

Variable cost per customer	£3.00
Weekly fixed costs	£1430
Average spend per customer	£6.25

Things had seemed straightforward six months earlier. Their idea of opening a smoothie bar, selling their own unique fruit and vegetable drinks and healthy snacks, had been met with overwhelming approval from family and friends. This enthusiasm seemed justified when their secondary market research confirmed a growing market for their product. The value of UK sales of smoothies grew from £6.3 million in 2001 to £34 million in 2006. A market research report by Mintel suggested a further 300% growth in UK smoothie sales by 2011 as well as increasing demand for drinks made from different fruits and vegetables. 10

Not wanting to leave anything to chance, they had drawn up a detailed business plan. They felt private limited status would give them a number of benefits. They knew little about the smoothie market and conducted primary market research in several towns. Bournemouth seemed an ideal location. Offering a combination of a large population boosted by a thriving tourist industry in the summer, little competition and, most important to Bill and Anne, easy access to the countryside. 15
20

Having located suitable premises, they drew up detailed budgets and cash-flow forecasts. It came as no surprise to them that the Bank Manager agreed to lend them £50 000 towards the start up costs of £110 000, though Anne had argued that they should raise the money from a venture capitalist and not a loan. Bill and Anne were able to raise the remaining £60 000 by selling their property in London and buying a luxury flat in Bournemouth where property prices were generally cheaper. 25

With hindsight it seemed that the planning was the easy bit. They were late opening the bar because of late delivery of supplies and missed some of the summer trade. A competitor managed to set up nearby and open a month before them. Once they started trading, they found it difficult to recruit good quality part-time staff. Another problem was the unexpected 10% increase in the cost of fruit and vegetables due to a poor harvest. Bill and Anne began to question the quality of their business planning and particularly their market research as sales only reached 75% of their budgets. 30

Question One

You are advised to spend no more than **20 minutes** on this section.

(a) What is meant by the term ‘entrepreneurs’ (line 1)?

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(2 marks)

(b) What is meant by the term ‘budgets’ (line 21)?

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(2 marks)

(c) State **two** non-financial items that the Bank Manager would have expected to see in the business plan for *Just Juice Ltd* before agreeing to the loan.

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(2 marks)

Turn over for the next question

(d) Explain **one** reason why Bill and Anne might have decided to use primary market research as part of their business planning.

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(4 marks)

(e) Use the information in the text and **Table 1** to calculate *Just Juice Ltd*'s total profit or loss over its first ten weeks of trading.

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(6 marks)

(f) Calculate the percentage growth in the UK market for smoothies between 2001 and 2006.

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(4 marks)

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Turn over for the next question

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(15 marks)

(c) To what extent might the drawing up of a detailed business plan guarantee the success of *Just Juice Ltd.*

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(15 marks)

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END OF QUESTIONS

